Colleen Coyne Property Research Pty Limited ABN 58 088 879 878
PO Box 3109
Nerang East
QLD 4211
Phone/Fax (07) 5578 5244
Mobile 0418 856 439
E-mail colleen@colleencoyne.com.au
Web www.colleencoyne.com.au

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PPPs and Value Uplift Capture – PIA 8 July 2009

A couple of weeks ago, I attended a Planning Institute of Australia seminar in Brisbane entitled *Private Public Partnerships (PPPs) and Value Uplift Capture: Can they be combined?* It was well attended by a range of planners and related professionals involved in major infrastructure planning and implementation.

Among the key messages that I took away were the following points:

- Jason Natoli of Integran Infrastructure Management indicated that infrastructure charging regimes now being widely applied by Governments were intended to capture 100% of the infrastructure cost from developers and that they were supposed to do so in a transparent manner. He advised the delegates that there is currently no scope to capture additional value uplift as a result of increased values attributable to planning actions;
- He highlighted an opportunity to increase value uplift by reducing Development Application time frames;
- He said future PPPs needed to be clearly packaged to bring to the market; unambiguous in regard to projected revenue streams; with an efficient delivery path; and that the regulatory environment was very important;
- The need to remove ambiguity and planning approval uncertainties resulting in costly delays and eroding owners' rights was a theme taken up by Kelly Alcorn of Planning Initiatives, who is currently undertaking a research study at Queensland University of Technology. She discussed the outcome since the Federal Airports Corporation sold a number of airports more than a decade ago, with the private sector owners subject to numerous reviews and enquiries (refer to the *Australian Financial Review* 7 July 2009 for the latest moves);
- Meredith Sinclair of the Urban Land Development Authority briefed delegates on the three ULDA projects at Bowen Hills, Northshore Hamilton and Fitzgibbon Chase. Among the approaches being used to fund infrastructure are a benefited area levy to be administered by Brisbane City Council;
- Wendy Adam of Parsons Brinckerhoff looked at PPPs in the context of metropolitan transport systems, acknowledging their poor history of success in Australia. She mentioned that PPPs are a more costly way to fund infrastructure because the private sector has a higher cost of funding. Among the threats identified to future PPPs were factors such as private sector access to finance; increased awareness of risks resulting in higher interest rates in the future; patronage forecasts not being reliable providing an unstable demand environment; the Government policy environment being unstable; and the diminishing availability of land reservations that had previously been planned for the 1960s and 1970s;

- Wendy also indicated scope to more fully identify the beneficiaries of public transport infrastructure, for example it is not only the public transport operators and passengers who benefit from a new system or enhancement, it is the road users who benefit from reduced congestion and the community who benefit from reduced pollution and greenhouse gas emissions, as well as land owners around stations benefiting from value uplift;
- Brian Haratsis of Macroplan gave a stimulating presentation during which he challenged delegates to focus on value creation, not on how to capture value uplift. He gave a Melbourne perspective on Brisbane's metropolitan planning assumptions, for example indicating the Brisbane Central Business District was not ready to accommodate projected job growth (a doubling from 80,000 to 160,000 workers by 2026) – citing footpath widths; capacity to accommodate increased public transport patronage; the lack of a night time economy; and a lack of streetscape liveability outside of the Queen Street Mall (which he praised);
- Professor Neil Sipe of Griffith University provided a summary of highlights from the Productivity Commission's recent report *Financing Public Infrastructure – An International Perspective*. He highlighted Australia's reliance upon budget appropriations (63% of 2006/07 expenditure) and indicated there should be a role for specific purpose Government bonds, the main form of funding in the United States (US). Among the advantages for US municipal bonds were that they promote intergenerational equity; enable large projects to be funded in the short-term; and only users paid (through specific levies repaying the funds raised); but that perceived disadvantages include inequitable impact on all taxpayers (since US municipal bonds are tax exempt); and potential for misuse of bonds for private purposes; and
- Andrew Hodgkinson of Parsons Brinckerhoff highlighted the inter-relationship between energy use, water and waste utilities in his presentation about the Gippsland Water Factory. He mentioned the innovations being incorporated including creation of a wastewater treatment plant as a hub of processing at the centre of a catchment of major waste producers; use of cost saving construction methods; production of recycled water; and a visitor centre to promote community understanding of the new approach.

It was certainly refreshing to know that those closely involved with infrastructure planning are investigating alternative means of funding and that recognition is being given to the shortcomings of existing funding mechanisms. These include PPPs as they have been experienced in some instances in Australia; and infrastructure charges upon developers that have contributed to housing affordability issues, loss of proposed jobs and potentially sterilised some areas where charges have resulted in negative residual land values.

The above points are a summary of verbal material heard at the Planning Institute of Australia (PIA) seminar on 8 July 2009. Details may or may not be totally correct, as they depend for their correctness upon my understanding of what was said. Comments in the final paragraph reflect my response to the material presented. Presentations may become available in due course on the PIA website.

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